

Internal Control Assessment Record Maintenance

Purpose

To ensure that FSA's loan records contain adequate and up-to-date information regarding loan terms, payment history and any further loan actions for accurate and timely reporting.

Background

Pursuant to OMB Circular A-129, FSA must maintain loan records in a manner that accurately portrays loan and account status. Proper maintenance of collections and payment records facilitates the accurate and timely dispensing of accounting and management information for effective financial reporting. Loan records must include terms and conditions of the loan, payment history (including occurrences of delinquencies and defaults) and any subsequent loan actions that result in payment deferrals, refinancing, or rescheduling.

FSA should collect data on the status of its receivables frequently to facilitate accurate annual and quarterly financial reporting. To this end, any information regarding payments, defaults, alteration of payment terms, or any other transaction which affects the status or terms of the account must be recorded monthly to ensure account accuracy.

Internal Control Standard

FSA must ensure that loan records contain adequate and current information.

Assessment of FSA's Compliance^{*}

Meetings with FSA staff and a small sampling of accounts receivable records led to the discovery that loan records are not always updated in a timely manner. Loan files were not updated frequently enough with information regarding payment history and delinquency mostly due to undefined roles within the FSA team. Since account information is not updated monthly, financial reports may be inaccurate.

^{*}The actual testing phase including interviews and examination of sampled records has not yet occurred. This write up is only a sample of what may be discovered during the testing phase of the FMFIA process.